

REDLINING

in

THE BRONX

An Analysis of Mortgage Lending
Activity by the Dollar Savings Bank

New York City Commission on Human Rights
Neighborhood Stabilization Program

March 1978

CITY OF NEW YORK

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The Bronx traditionally has been "home" to generations of New York City's working households. Although subject to years of financial disinvestment, the Bronx still possesses some of the most attractive and viable neighborhoods in the city which contain structurally sound housing, landmark structures, architecturally unique buildings, thriving neighborhood shopping centers and larger commercial strips.

Unfortunately, often in New York City and elsewhere in the country, the Bronx conjures up an image of abandoned buildings, desolate streets, gutted storefronts. It has become a synonym for the urban crisis. For parts of the Bronx, the image is painfully accurate. But that image does not reflect the movement underway to rebuild and preserve neighborhoods throughout the borough including even those areas for so long neglected.

Many Bronx neighborhoods are alive with community spirit, as block associations, homeowner and tenant groups, and merchant coalitions endeavor to preserve and restore their borough. If these groups fail it will not be due to any lack of skill or initiative on their part. Rather, it will be in part due to a

policy of neglect pursued by Bronx banks like Dollar Savings.

In the last two years the Commission's Neighborhood Stabilization Program has proved that government can have a positive impact on neighborhoods if it intervenes before deterioration has its way. Our work in Bronx neighborhoods has taught us much about the dynamics of neighborhood change, and has singled out the practice of redlining as a major cause of instability and deterioration.

The New York State Banking Department has before it an application by the Bronx's largest savings bank -- the Dollar Savings Bank -- to open a branch office on the north side of Vanderbilt Parkway, town of Smithtown, Suffolk County, New York.

The Neighborhood Stabilization Program of the City Commission on Human Rights has prepared this challenge to that application. It presents a detailed analysis of the Dollar's disinvestment policies, itself sufficient to demonstrate that Dollar does not meet the "public convenience and advantage" criterion required for a branching privilege.

In addition to the economic analysis, it is crucial that the Department consider the socio-psychological impact of approval of the application. If granted, we believe that the impact would be disastrous. To permit so prominent a financial institution to continue moving its assets out of the Bronx would amount, in effect, to a condonation and indeed a promotion of abandonment.

On January 16, 1978, the New York City Commission on Human Rights filed an objection at the New York State Banking Department to the Dollar Savings Bank preliminary branch application dated January 5, 1978.

In our effort to conduct a thorough analysis of the lending practices of the Dollar Savings Bank, we examined the bank's mortgage disclosure information required by the New York State Banking Department (Regulation G-107, Appendices 8 and 9). We found that in 1976 (the most recent year for which information is available) the Dollar Savings Bank granted 64 mortgages in Bronx County worth 3.2 million dollars, or only 15.7% of their total new mortgage commitments for 1976.¹ As Bronx Borough President Robert Abrams points out in the report Redlining and Disinvestment in the Bronx, "Dollar Savings continues to have a very disappointing record for residential investment."

A more accurate measurement of Dollar Savings Bank's disinvestment in Bronx county can be obtained with a comparison of mortgage loans as a percentage of deposits. Utilizing this approach, the Dollar Savings Bank's investment of \$3.2 million in 1976, becomes more significant when one realizes that this figure equals 0.18% of the deposits held in Bronx branches.

¹Source: Appendix 9 as of 12/31/76

Even more disturbing is Dollar Savings Bank's investment in mortgages outside the state of New York. As of 1976 their mortgage portfolio indicated a total of 30,823 mortgages outside the state, and only 2,436 mortgages in the state. Further examination reveals that 39% of the in-state mortgages are on multiple dwellings, yet only 15 such mortgages were granted during 1976 in New York State.

These current figures lead us to believe that Dollar Savings is not only investing heavily in out-of-state 1-4 family loans, but more significantly is seeking to decrease its holdings on multiple dwelling loans in New York State. We cannot emphasize enough the effect that a lack of multiple dwellings loans will have on the Bronx.

The Dollar Savings Bank branch office in the Parkchester area of the Bronx generates 80% of its deposits from the Community Planning Board 9 area,² yet in 1976, Dollar Savings Bank made only four conventional loans on 1-4 family dwellings and 8 home improvement loans for a total of \$143,050.³ This effort is minuscule when one considers that the Planning Board area residents deposited approximately \$296 million of the \$371 million deposited in the Parkchester branch as

²In the banking industry it is generally assumed that 80% of an urban branch's deposits come from within a one mile radius.

³Source: Appendix 9 as of 12/31/76

of 12/31/76.⁴ On the other hand, Community Planning Boards 10 and 11, which are adjacent to Community Planning Board 9, have received a significantly greater amount of money in 1-4 family mortgage loans.⁵

Furthermore, the total amount of conventional mortgage loans granted by Dollar on multiple dwellings in Planning Board 11 is well over \$13 million, while Planning Board 9 has received only \$1.5 million.⁶ These two communities possess similar housing stock and a median income that is higher than the borough's.⁷ But unlike Planning Boards 10 and 11, the Planning Board 9 area has experienced a change in the racial composition of its neighborhoods, and Dollar Savings Bank is reacting to this phenomena by withdrawing needed mortgage money from the area. This type of racial disinvestment has been practiced by all Bronx banks for over 15 years, and was first documented by Richard Devine's pioneering study titled, Where the Lender Looks First: A Case Study of Mortgage Disinvestment in Bronx County.

The Dollar Savings Bank claims that the six Bronx branches have experienced a net deposit outflow of over

⁴Source: FDIC - Summary of Deposit Data

⁵Source: Appendix 9 as of 12/31/76

⁶Source: Appendix 8 as of 12/31/76

⁷Source: Bronx Community Planning Board Factbooks 9 and 11

\$60 million in over-the-counter deposits. They also state that this trend has been a persistent one for several years and that prospects for reversing it are bleak.⁸ The Commission takes issue with this statement because the Dollar Savings Bank has not attempted to substantiate these allegations, and is using this rationale to justify branching to Suffolk County. The Commission believes that any over-the-counter deposit loss in the Bronx branches is probably due to disintermediation, and thus any conclusion by Dollar Savings Bank at this time are premature. In 1975 and 1976, the Dollar Savings Bank Bronx branches still held 80% of total bank deposits, thus showing no evidence of decline.⁹

Not only is the Commission concerned about Dollar's lending record in the existing service areas, but is just as interested about the impact of a new branch in the Suffolk area. There are five banks (Union Dime Savings Bank, 2 branches; Bowery Savings Bank, 1 branch; Roosevelt Savings Bank, 2 branches) servicing that area of Suffolk. The banking services offered by these institutions are so similar that Dollar Savings will be hard pressed to make a significant impact in this

⁸Source: Dollar Savings Bank - Branch Applic. - Introduction

⁹Source: FDIC - Summary of Deposit Data

area. Dollar Savings indicates that it will offer checking accounts and higher interest on savings accounts, but the Commission does not see any competitive edge in this strategy since all the banks offer payment order accounts.

Moreover, Dollar Savings' claim that the existing banks do not offer the highest interest possible is not entirely accurate. The recent increase in the treasury note interest rate has caused depositors to withdraw more funds, and savings institutions offer higher interest rates to counter the drain of funds and remain competitive with other modes of investment. The potential for deposit growth in the new branch cannot be realized if the conditions we have described prevail.

The Dollar Savings Bank's investment in the Bronx should be increased especially since the Federal Government has recently expressed a willingness to commit resources and money to the revitalization of the borough. In conclusion, the Commission strongly recommends that the Banking Board deny the application of Dollar Savings Bank to open a branch office in Smithstown, Suffolk County.

In order to insure continuous improvement, the Commission believes that the Dollar Savings Bank should take the following affirmative steps:

- Establishment of a borough wide task force composed of community groups, elected officials, and other Bronx banks to focus exclusively on increased mortgage investment in the Bronx
- Encourage and establish contacts with community organizations to foster reinvestment strategies
- Disclose to community groups and interested individuals the total number of loan applications (home improvement, FHA-VA's and conventionals), the number accepted, the number rejected, and the reasons for their rejection
- Initiate an affirmative marketing program to include advertising the availability of mortgage and home improvement loans in community and general circulation newspapers as well as trade papers, and through direct communication with real estate brokers, neighborhood associations, and relevant agencies of municipal government

EXHIBIT A

DOLLAR SAVINGS BANK
DISCLOSURE STATEMENT, APPENDIX 8, M1
PERIOD ENDING - 12/31/76

	<u>NUMBER</u>	<u>\$AMOUNT</u>
Assets		2,409,022,870
Bank Serviced Conventional Loans	2,142	1,074,117,350
Bank Serviced Conventionals N.Y.S.	1,926	796,597,781
Conventional Construction Loans	0	0
Outside Serviced Conventional Loans	11	78,188,711
Outside Serviced Conventional N.Y.S.	9	67,018,684
Bank Serviced FHA-VA Loans	14,697	158,319,512
FHA-VA Construction Loans	1	2,103,721
Bank Serviced FHA-VA N.Y.S.	500	15,211,690
Outside Serviced FHA-VA Loans	16,410	147,787,792
Outside Serviced FHA-VA N.Y.S.	1	1,132,010
R/E Originated Last Fiscal Year	131	19,761,514
R/E Purchased Last Fiscal Year	2	59,011
Conventional R/E Loans (1-4)	878	19,896,883
FHA-FMHA-VA R/E 1-4 family	31,063	277,929,587
Conventional R/E Loans-Residential	969	598,012,181
FHA-FMHA-VA R/E Loans-Residential	44	28,177,717
Other Conventional R/E Loans	302	527,396,998
Other-FHA-FMHA R/E Loans	0	0
GNMA		80,874,106

Source: Appendix 8

DOLLAR SAVINGS BANK
DEPOSITS AS OF DECEMBER 31, 1976

BRONX OFFICE

Main Office	\$ 873,356,000
149 Street	97,922,000
170 Street	145,499,000
Parkchester	370,899,000
Southern Boulevard	52,294,000
Coop-City	207,896,000
<u>Total</u>	1,747,866,000

MANHATTAN OFFICE

Park Avenue	149,480,000
<u>Total</u>	149,480,000

WESTCHESTER OFFICES

Larchmont	29,762,000
Bronxville	136,142,000
<u>Total</u>	165,905,000

NASSAU OFFICE

Jericho	113,781,000
<u>Total</u>	113,781,000

SUFFOLK OFFICE

Holbrook	6,944,000
<u>Total</u>	6,944,000

<u>TOTAL</u>	\$2,183,975,000
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DOLLAR SAVINGS BANK - PERIOD ENDING 12/31/76
 BRONX TOTALS - COUNTY CODE 005

	<u>FHA, VA, FMHA (1-4)</u>	<u>Conventional (1-4)</u>	<u>Grand Total (1-4)</u>	<u>Conventional Mortgages on Multi-Family Dwellings</u>
Total # of Loans	10	390	400	469
Total \$ of Loans	100,676	7,841,860	7,942,536	123,368,350
Originated # of Loans Last Year	0	57	57	5
Originated \$ of Loans Last Year	0	1,563,761	1,563,761	1,545,000
Purchased # of Loans Last Year	0	2	2	0
Purchased \$ of Loans Last Year	0	59,011	59,011	0

Source: Reprinted from Appendix 9 - County totals

DOLLAR SAVINGS BANK - PERIOD ENDING 12/31/76

NASSAU TOTALS - COUNTY CODE 059

	<u>FHA, VA, FMHA (1-4)</u>	<u>CONVENTIONAL (1-4)</u>	<u>GRAND TOTAL (1-4)</u>	<u>Conventional Mortgages on Multi-Family Dwellings</u>
Total # of Loans	228	133	361	11
Total \$ of Loans	2,008,598	2,905,525	4,914,123	28,011,678
Originated # of Loans Last Year	0	8	8	0
Originated \$ of Loans Last Year	0	313,000	313,000	0
Purchased # of Loans Last Year	0	0	0	0
Purchased \$ of Loans Last Year	0	0	0	0

DOLLAR SAVINGS BANK - PERIOD ENDING 12/31/76

SUFFOLK TOTALS - COUNTY CODE 103

	<u>FHA, VA, FMHA (1-4)</u>	<u>CONVENTIONAL (1-4)</u>	<u>GRAND TOTAL (1-4)</u>	<u>Conventional Mortgages on Multi-Family Dwellings</u>
Total # of Loans	95	23	118	1
Total \$ of Loans	962,232	591,787	1,554,019	769,387
Originated # of Loans Last Year	0	5	5	0
Originated \$ of Loans Last Year	0	168,000	168,000	0
Purchased # of Loans Last Year	0	0	0	0
Purchased \$ of Loans Last Year	0	0	0	0

DOLLAR SAVINGS BANK - PERIOD ENDING 12/31/76

WESTCHESTER - COUNTY CODE 119

	<u>FHA, VA, FMHA (1-4)</u>	<u>Conventional (1-4)</u>	<u>Grand Total (1-4)</u>	<u>Multi-Family FHA</u>	<u>Conventional Mortgages on Multi-Family Dwellings</u>
Total # of Loans	8	142	150	1	60
Total \$ of Loans	61,476	4,094,806	4,156,806	1,912,251	52,767,105
Originated # of Loans Last Year	0	21	21	0	1
Originated \$ of Loans Last Year	0	817,000	817,000	0	135,000
Purchased # of Loans Last Year	0	0	0	0	0
Purchased \$ of Loans Last Year	0	0	0	0	0

Source: Appendix 9

EXHIBIT G

DOLLAR SAVINGS BANK
HOME IMPROVEMENT LOANS ON 1-4 FAMILY DWELLINGS
AS OF DECEMBER 31, 1976

<u>County</u>	<u>Number</u>	<u>\$Amount</u>	<u>\$Average</u>
The Bronx	39	169,650	4,350.00
Kings	2	7,000	3,500.00
New York	1	7,000	7,000.00
Queens	5	21,400	4,280.00
Richmond	0	0	0
Nassau	16	65,550	4,096.88
Suffolk	11	69,000	6,272.73
Rockland	4	19,000	4,750.00
Dutchess	1	5,000	5,000.00
Westchester	13	65,950	5,073.08
County Code 888	1	5,000	5,000.00
<u>Total</u>	93	434,550	4,672.58

EXHIBIT H

DOLLAR SAVINGS BANK
 COMPARISON OF DEPOSITS AND RESIDENTIAL
 MORTGAGE - HOME IMPROVEMENT LOAN ACTIVITY
 THE BRONX, NASSAU AND SUFFOLK, WESTCHESTER

<u>County</u>	<u>Deposits</u>	<u>Mortgage & Home Improvement Loans</u>	<u>Loans as a Percent- age of Deposits</u>
The Bronx	1,747,866,000	3,278,411	.18%
Nassau	113,781,000	378,550	.3%
Suffolk	6,944,000	237,000	.3%
Weschester	149,480,000	1,017,950	.6%

Source: Exhibits B, C, D, E, F, G

DOLLAR SAVINGS BANK

BANK TOTALS - PERIOD ENDING 12/31/76

	<u>FHA, VA, FNEHA (1-4)</u>	<u>Conventional (1-4)</u>	<u>Multi-Family FHA</u>	<u>Conventional Mortgages on Multi-Family Dwellings</u>
Total # of Loans	490	809	2	901
Total \$ of Loans	4,199,027	17,888,589	2,190,174	494,535,210
Originated # of Loans Last Year	0	109	0	17
Originated \$ of Loans Last Year	0	3,519,761	0	12,429,753
Purchased # of Loans Last Year	0	2	2	0
Purchased \$ of Loans Last Year	0	59,011	59,011	0

EXHIBIT J

DOLLAR SAVINGS BANK
MORTGAGE DISCLOSURE DATA

FOR

[BRONX] COMMUNITY PLANNING BOARDS

	<u>9</u>	<u>10</u>	<u>11</u>
Total \$ Conventional 1-4 family	911,393	287,509	409,398
Total \$ Residence Conventional Multiple Dwelling	1,495,231	239,106	13,190,043
Home Improvement Loan (1-4) #/\$	8/25,550	2/7,000	7/42,000
Conventional 1-f Loan in 1976 #/\$	4/117,500	11/327,317	5/134,000

Source: Appendix 8

EXHIBIT K

DOLLAR SAVINGS BANK
 COMPARISON OF IN-STATE AND OUT-OF-STATE
 MORTGAGE INVESTMENT

	<u>NUMBER</u>	<u>\$AMOUNT</u>
<u>In-State Mortgages</u>		
Bank Serviced Conventional Loans	1,926	796,597,781
Outside Serviced Conventional Loans	9	67,018,681
Bank Serviced FHA-VA Loans	500	15,211,690
Outside Serviced FHA-VA Loans	1	1,132,010
<u>Total</u>	2,436	879,960,162
<u>Out-of-State Mortgages</u>		
Bank Serviced Conventional Loans	216	277,519,569
Outside Serviced Conventional Loans	2	4,170,027
Bank Serviced FHA-VA Loans	14,196	141,004,101
Outside Serviced FHA-VA Loans	16,409	146,655,782
<u>Total</u>	30,823	569,349,479
<u>TOTAL</u>	33,259	1,449,309,641

Source: Exhibit A

EXHIBIT L

DOLLAR SAVINGS BANK
 IN-STATE AND OUT-OF-STATE LOANS AS
 PERCENTAGE OF TOTAL MORTGAGE INVESTMENT

	<u>NUMBER</u>	<u>\$AMOUNT</u>
Total In-State Mortgage Loans	2,436	879,960,162
Total Mortgage Loans	33,259	1,449,301,641
	7.3%	60.7%
Total Out-of-State Mortgage Loans	30,823	569,349,479
Total Mortgage Loans	33,259	1,449,301,641
	92.6%	39.3%

Source: Exhibit A

EXHIBIT M

DOLLAR SAVINGS BANK
 IN-STATE AND OUT-OF-STATE LOANS AS
 PERCENTAGE OF TOTAL MORTGAGE INVESTMENT
 AS OF DECEMBER 31, 1976

	<u>NUMBER</u>	<u>\$AMOUNT</u>
Total In-State Mortgage Loans Last Year	112	9,279,514
Total Mortgage Loans	126	15,949,514
	88.8%	58.2%
Total Out-of-State Mortgage Loans Last Year	14	6,670,000
Total Mortgage Loans	126	15,949,514
	11.1%	41.8%

Source: Appendix 9